The threat of a penalty

John H Houk MD, Immediate Past President of the Hawaii Society of Internal Medicine, has a legitimate brief and complaint against HMSA as regards its threat to impose a penalty on any physician who fails to obtain preauthorization for an action in certain circumstances of practice on a patient. He provided us with a copy of his complaint.

HMSA's Manager of its Professional Relations Department has responded, and we have obtained written consent by Senior Vice President Bernard AKS Ho for the correspondence between Houk and HMSA to be published in the *Journal.*

As is our policy, we try to publish both sides of a controversy in the same issue, rather than wait for the response to a problem and publish it in a subsequent issue. The readers can then make an immediate judgment on their own; we welcome comments from them.

J I Frederick Reppun MD
Editor

Letter to HMSA from John H Houk MD

November 20, 1991

Mr Steven AJ Lung
Manager Professional Relations Department
Hawaii Medical Service Association
PO Box 860
Honolulu, HI 96808-0860

Dear Mr. Lung:

Medical Care in Hawaii is in the headlines across the nation. We are a model in providing access to care for the citizens of Hawaii. Today, on the news, I heard that small businesses in Hawaii have one of the lowest costs in the nation of providing medical care to their employees. In Hawaii we have one of the shortest hospital stay rates in the nation. We have a Medicaid program and a SHIP program that function reasonably well. Part of the reason for this success story is because of the willingness of Hawaii physicians to treat patients in a professional manner and to work closely with the third party carriers to control costs.

Hawaii has one of the highest participation rates with Blue Cross/Blue Shield in the nation. We also have one of the highest Medicare participation rates. This to me indicates that physicians have both a need, as well as a desire to work with third party carriers. There is a relationship of mutual trust implicit in any participation agreement.

It was therefore with great dismay that I was first notified of your plan for a $300 benefit reduction applied to the participating provider for services rendered without required preauthorization. Such extreme punitive damages against physicians jeopardizes that trusting relationship that is so critical to the success of our controlling health care costs in the future. Why does HMSA in its wisdom want to apply such a penalty to the physician community when we are already performing near the top of the nation in regards to our hospital rate and our length of stay? Such policies by HMSA seem very shortsighted and add a significant "hassle-factor" to an already burdened physicians' medical practice. It further erodes the relationship of trust between the physician and the third party carrier. In your letter you imply that it is the employer who is requesting this preauthorization "benefit". It is however clear to me, as well as other physicians, that it is not the employers who are the driving force behind this movement. It is in fact those at HMSA who feel that such a policy will in fact reduce the cost of care.

You are well aware that there is no good scientific data that such a managed care program will in fact save money or reduce health care costs. What it does accomplish quite effectively is introduce one more "hassle-factor" into a physician's life and impedes access to medical care for the patients who have such a "benefit". Nothing in my 11 years of practice has dismayed me more than this decision. I would be interested in knowing who at HMSA was responsible for making this final decision. What was the justification for it and what did they hope to accomplish?

I am a participating physician with HMSA. Is this new "benefit" a reward for my decision to participate? Is this to make me feel better about continuing my participation? I would add that nothing in my 11 years of practice has made me closer to ending my participation agreement than this new policy by HMSA.

Mr Lung, I respect your opinion and I have been led to believe that you sincerely want to improve the relationship of trust between the physician and HMSA. This new "benefit" does not help this relationship. I would ask you to answer the above questions and to do everything in your power to reverse this decision. As you well know, I strongly opposed this policy before you made a public announcement of it. I hope it is not too late to put a halt to this new "hassle-factor".

Yours truly,
John H Houk MD
Immediate Past President
Hawaii Society of Internal Medicine

JH/ar
cc: Marvin Hall, HMSA
Bernard Fong, HMSA
Fred Reppun, HMA *Journal*

(Continued) ➤

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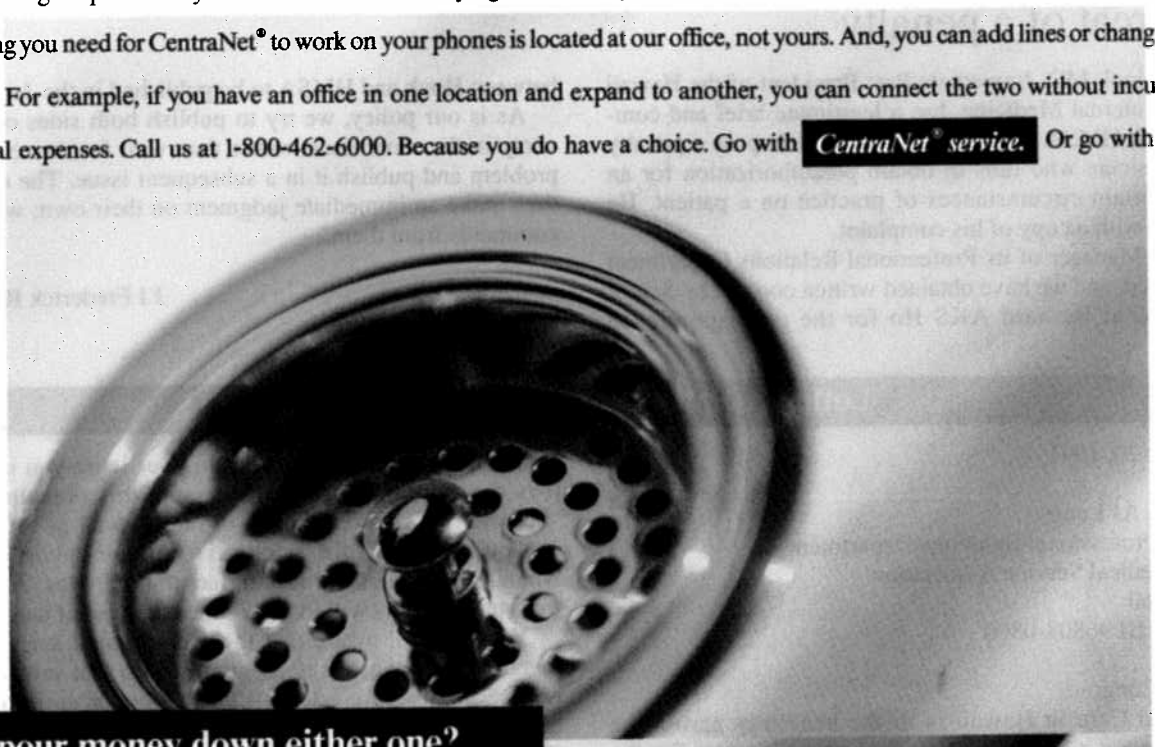

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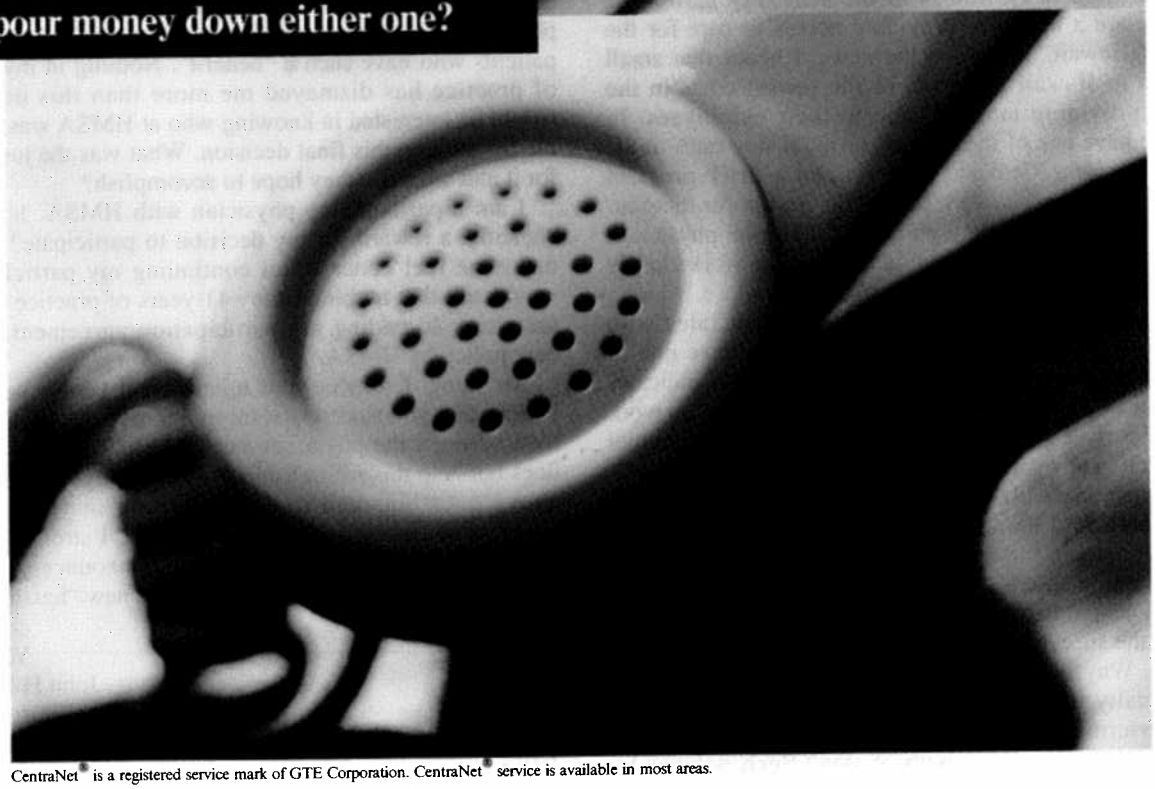

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Beyond the call

Letter to John H Houk MD from HMSA

December 19, 1991

John H Houk, MD
Hawaii Society of Internal Medicine
1360 South Beretania Street, 2nd floor
Honolulu, Hawaii 96814

Dear Dr. Houk:

Thank you for your November 20, 1991 letter regarding managed care pre-authorization requirements.

I'm sure you would agree that all parties who pay for health care — employers, government, consumers — are greatly concerned about its cost. Among many activities, the establishment of the Governor's Blue Ribbon Panel on Health Care demonstrates the level of public interest in addressing health care costs in addition to other issues of access and quality.

The changes recently made by HMSA in our managed care plans were intended to both anticipate and respond to the demands of both employer groups and members purchasing our fee-for-service plans. For example, the Federal government has insisted that HMSA incorporate managed care in its medical coverage for Federal employees, making providers responsible for its implementation. We want employers concerned about rising costs to know they can receive from HMSA the managed care controls they expect to assure appropriate and economical use of health care resources. At the same time, members who elect to obtain care from participating physicians gain protection from any benefit reductions due to managed care requirements, thus strengthening their incentive to seek services from participating physicians like yourself.

We agree that physicians in Hawaii have generally supported actions to improve access to care and played a key role in maintaining utilization at among the lowest levels in the nation. We do not necessarily believe that managed care programs will achieve the same kind of benefit savings in Hawaii that may have been demonstrated in specific areas on the Mainland.

However, HMSA has learned from experience that employer groups will not hesitate to substitute plans with more restrictive delivery systems in place of our fee-for-service plans if they feel those plans will better control costs. By accepting responsibility for managed care, participating physicians receiving fee-for-service payment will be able to compete with other plans whose physicians support managed care requirements.

HMSA's actions are not intended to threaten physicians, find excuses to impose penalties upon them, or introduce an additional "hassle-factor". We are conducting a variety of activities to make physicians aware of the managed care process and avoid penalties. This includes waivers of benefit reductions for a three-month period, sending of reminder letters, and personal contact by Professional Relations representatives.

The administration of managed care pre-authorization will be fair and reasonable. Physicians will not be penalized for failing to pre-authorize acute or emergency admissions in advance. In these cases, notification may be made within two working days after admission or even later if the physician was not able to verify coverage. The $300 penalty will be imposed only after the physician has been given an opportunity to become familiar with the managed care process and fails to demonstrate a good faith effort to follow it. We anticipate that provider compliance and administrative flexibility on HMSA's part will keep benefit reductions to a minimum.

We have also taken steps to provide physicians with convenient access to the managed care process. Physicians or their office staff may call us during regular office hours, leave information on our answering machine after we are closed, or transmit information via facsimile transmission. Patient coverage codes may be confirmed by calling Professional Relations, our Managed Care number, or by making use of Infobot, HMSA's membership verification system.

We recognize that managed care must be able to achieve savings which outweigh its administrative costs to physicians and HMSA. The effectiveness of our programs will be evaluated, and modifications made as necessary. For example, we are currently in the process of phasing out our Mandatory Second Surgery Opinion program from managed care plans because it has not been cost-effective.

If we can agree that managed care is likely to be with us in the foreseeable future, our shared objective should be to make it as workable and efficient as possible. We welcome any suggestions for improving our managed care programs or identifying problem areas that should receive further attention.

If you would like to further discuss our Managed Care Programs, please call me at 944-2190.

Sincerely,
Stephen AJW Lung
Manager, Professional Relations

cc: Dr Jeffrey Fong, HSIM
Bernard Ho, HMSA